

Influence of Independent Director, Female Director, and Thin Capitalization on Tax Avoidance

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Abstract; *This study aims to examine the effect of independent directors, female directors, thin capitalization on tax avoidance. This research design is quantitative with hypothesis. The object of this research is non-financial sector companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The data analysis technique is multiple linear regression. Independent directors by looking at the proportion of the number of independent directors from the total members of the board, with the results of independent directors giving negative results on tax avoidance. Female directors also looked at the number of female directors from the total board members, with the result that female directors had a positive influence on tax avoidance. Thin capitalization as measured by Maximum Amount Debt (MAD), with the result of thin capitalization has no effect on tax avoidance. Tax avoidance is measured using the Book-tax Gap (BTG). This research is useful for companies in making decisions related to the structure of directors and the company's capital structure and especially the government to evaluate the performance of state revenues.*

Abstrak; Penelitian ini bertujuan untuk rnenguji pengaruh direktur independen, direktur wanita, thin capitalization terhadap penghindaran pajak. Desain penelitian ini adalah kuantitatif dengan hipotesis. Objek penelitian ini adalah perusahaan sektor non keuangan yang terdaftar di Bursa Efek Indonesia periode 2017-2019. Teknik analisis data adalah regresi linier berganda. Direktur independen diukur dengan melihat proporsi jumlah direktur independen dari total anggota dewan direksi, dengan hasil direktur independent memberikan hasil negatif terhadap penghindaran pajak. Direktur wanita juga diukur dengan rnelihat proporsi jumlah direktur wanita dari total anggota dewan direksi, dengan hasil direktur wanita rnernberikan pengaruh positif terhadap penghindaran pajak. Thin capitalization diukur dengan Maximum Amount Debt (MAD), dengan hasil thin capitalization tidak berpengaruh terhadap penghidaran pajak. Penghindaran pajak diukur dengan rnenggunakan Book-tax Gap (BTG). Penelitian ini berguna bagi perusahaan dalam pengambilan keputusan terkait struktur direktur serta struktur modal perusahaan dan khususnya pemerintah untuk melakukan evaluasi terhadap pengawasasn kinerja penerimaan negara.

INTRODUCTION

Manufacturing companies in Indonesia are one of the industrial sectors that are the largest contributors to state revenue in Indonesia. This shows that many manufacturing companies have experienced an increase in profits which has an impact on the amount of taxes paid. This certainly has an impact on the level of tax compliance in Indonesia. The level of tax compliance in Indonesia is still quite low. This can be seen from the tax revenue target in 2019 of 1,577.56 trillions with the realization of only 1,332.1 trillion. In other words, the tax coverage ratio of 84.4% is lower than in 2018 which was 92.23%. Tax revenue on Gross Domestic Circulation (GDP) is still low, ranging from 13%-16% in the range of 2015 to 2019. The low level of tax compliance arises because of a conflict of interest between the government and company owners. Taxes for companies are considered as burdens that can reduce a company's profits. This is different from the government which tries to maximize taxes because taxes are one of the largest revenues in Indonesia (Ambarsari, Pratomo, and Kurnia, 2019). This conflict of interest occurs because of information asymmetry, where one party (the company) obtains more information than the government. This encourages companies to carry out tax management through tax avoidance or tax planning. Tax avoidance is carried out by looking at gaps in tax provisions with good and correct steps, while tax planning is a way to minimize the tax payable with the existing flow in the tax law without raising suspicion from the tax authorities. Tax avoidance in the implementation of tax obligations requires good tax management in tax decision making. Good tax decisions are determined by good corporate governance mechanisms and good tax avoidance mechanisms.

Good corporate governance mechanisms related to tax avoidance include the board of directors, where the board of directors has great authority to manage resources in accordance with company goals. Characteristics of the board of directors in the study focused on independence and gender. Research conducted by Timothy (2010) found that independent directors have a significant positive effect on tax avoidance. Likewise, what was expressed by Richardson and Lanis (2011) proves that the number of independent directors has a negative influence on the level of tax aggressiveness, this happens because of cultural differences between countries. In contrast, Khaoula and Ali (2012) in Ambarari et al. (2019) and Sabli and Noor (2012) did not find any significant effect of independent directors on tax avoidance.

The issue that is currently being discussed is the gender diversity of the board of directors, where the presence of women on the board of directors, especially female directors, affects the performance of a company which ultimately affects tax avoidance. The female director in this case is the person who leads the board of directors, directly involved in financial reporting and responsible for financial information, including the calculation of tax obligations. Indonesia is one of the countries that has quite a lot of female directors. This is shown by the consulting service company Grand Thomson in "Women in Business", where the results of a 2017 survey provide evidence that out of 5,000 companies, 46% women serve as directors and in Indonesia, there are 36% female directors in 2016. The increase in the number of female directors by 10% from 2016 to 2017 provides evidence of the reform of women in the organizational structure of a company that affects company performance.

Companies with a higher proportion of female board of directors can monitor the company better than companies with a lower proportion of female board of directors (Richardson, Taylor, and Lanis, 2013). This is indicated by the psychological nature of women who are careful and thorough and do not like risk so that with more women on the board of directors, they can reduce tax avoidance. Research conducted by Hoseini, Geralyi, and Valiyan (2019) provides evidence that the fewer the number of female board of directors in a company, the lower the level of tax avoidance. This is in line with research conducted by Richardson et al., (2013) and Ambarsari et al. (2019) which provide evidence that the presence of a female board of directors has a negative effect on tax avoidance. In contrast to the research conducted by Boussaidi and Hamed (2015) that female board of directors have a positive influence on tax avoidance. Khaoula and Ali (2012) in Ambarari et al. (2019) also provide evidence that female board of directors has no effect on tax avoidance.

The second mechanism related to tax avoidance in this study is thin capitalization. Thin capitalization mechanism is a mechanism that refers to the funding of a company related to investment decisions, where debt financing is prioritized over the use of equity capital in the capital structure of a company. Debt, in this case, is different from capital, because debt can increase the value of the company through tax incentives in the form of interest expense on loans. Thin capitalization in Indonesia is regulated in the Income Tax Law article 18 paragraph 1 regarding the debt-to-equity ratio and is clarified in the Minister of Finance Regulation No. 169/PMK.010/2015 concerning the determination of the ratio between debt and company capital to calculate the recognition of interest expense with the ratio 4:1 (Setiawan and Sulistyono, 2016). The practice of thin capitalization is used by companies to reduce taxable profits because they carry out interest-bearing loans that can be used as fiscal costs in calculating corporate income taxes, even though the company does not experience cash flow difficulties. Research conducted by Ismi and Linda (2016) provides evidence that thin capitalization has a negative effect on tax avoidance. This is in line with research conducted by Zaina (2017) which provides evidence that thin capitalization has a negative effect on tax avoidance. This is different from the research conducted by Setiawan and Agustina (2018), and Taylor and Richardson (2012) which provide evidence that thin capitalization has a positive and significant effect on tax avoidance.

Based on previous research that is still contradictory regarding the phenomenon of tax avoidance, it is necessary to review the effect of board characteristics and thin capitalization mechanisms on tax avoidance with a sample of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. Manufacturing companies were chosen because they are one of the largest industrial sectors for state revenues which automatically have loopholes for tax avoidance. This is because the higher the income of a company, the state revenue in terms of taxation will follow so that state revenue can be obtained maximally for the welfare of the community.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory is a working relationship related to the party who is given the position of agent and the party who gives the position or principal (Lukviarman, 2016). The party who gives the authority is the owner of the company or as the party who deposits funds in a company, while the party who is authorized as the board of directors regulates the running of a company. Agency theory is an agreement that can motivate agents to take action against shareholders when there is a difference between the interests of the agent and the interests of the shareholders (Scott, 2015: 22-28). Agency theory can facilitate managerial rent extraction, namely management actions by not paying attention to the interests of shareholders, but for the interests of individuals who are carried out on the opportunistic behavior of managers by utilizing tax avoidance. The case that occurred in 1990 was that the company Enron used a financing transaction planned for tax evasion, which led to government lawsuits. Companies are also required to make tax avoidance costs a liability, which includes direct tax planning, compliance and non-tax costs, one way is by covering or not being transparent in company management (Desai and Dharmapala, 2006 in Yuliem, 2018).

Tax Avoidance

Tax avoidance is usually used by companies as an effort to reduce taxes, but still in accordance with tax laws, one of which is by using transfers or slowing down taxes that have not been written in the tax law based on company managers' decisions (Dewinta and Setiawan, 2016). The difference between tax profit and accounting profit is also one of the ways to avoid tax, which is carried out by companies (Salwah and Herianti, 2019), so that the greater the distance between accounting profit and tax profit, or what is often called the book-tax gap, the greater the opportunity to perform tax evasion. Hanlo (in Ariawan and Setiawan, 2017), said that increasingly fierce business competition will facilitate companies in developing their business both locally and internationally so that it can create opportunities for tax savings through tax avoidance.

Board Characteristics

The board is a person who is trusted to represent shareholders in a company. According to Sutojo in Rashid (2018) Organizations for Economic Corporation Development (OECD) explains that the board has responsibility for planning and controlling the company's operations, drafting business operating regulations, supervising the operations of a company to get the maximum possible profit for the shareholders, shareholders, and can neutralize the interests of various parties connected in the company such as being the interests of dominant and non-dominant shareholdings as well as creditors. The board of directors is responsible for the obligations and rights of each member of non-shareholder shareholders, creditors, company employees, customers, communities, suppliers, and companies (Muchtar and Prabowo, 2009 in Rashid, 2018).

Independent Director

Independent directors are members of the board of directors who have an obligation to manage the company. Decree of the Board of Directors of the Indonesia Stock Exchange Number Kep-00001/BEI/02-2014, stipulates the requirements for directors to be independent, at least one person from the composition of the board of directors in a company that is selected in advance by holding a GMS before the company's shares are officially listed on the stock exchange, and carry out duties after the company's shares are officially listed on the stock exchange. The term of office, director, independent for a maximum of two continuous periods as written in The Financial Services Authority Regulation Number 33/POJK.04/2014 regarding directors, and the board of commissioners of issuers and public companies. The requirements for independent directors are that they do not have special relationships with other directors, do not hold positions in other companies, and do not hold concurrent positions as management in an organization.

Female Director

A female director is someone who is chosen to be the head of the company and has a decision-making role. The number of female directors in the world can still be said to be quite low when compared to male directors. Hamdani and Hatane's research (2017) states that the highest female directorship in the board of directors is only 11.6% of which 13.1% is the proportion of directors and 9.9%, for the board of commissioners. The number that can be said to be a minority does not hinder the professionalism of female directors, but the role of women has a great influence in a company. The ability of female directors in a company to reduce risk in a company and can contribute to decisions from different perspectives (Erhart, Werbel, and Shrader, 2003, in Hamdani and Hatane, 2017). The characteristics of female directors are associated with the nature of women who have a sense of caution and are more focused than men (Kusumastuti, and Supatmi, 2006 in Astuti, 2017). Faccio and Marchica (2012) in Adhariani (2015) proves that female directors who make a decision mostly choose to avoid risk, so the more women in a company, the fewer earnings management practices exist because women tend to avoid risk.

Capital Structure

Funding in the capital has two types, namely, external funding and internal funding. External is capital ownership that can be owned by the wider community and institutional, while internal is owned by the manager of the company itself. So that with the capital structure, stakeholders can find out the company's risk and the rate of return on capital investment. According to Fahmi (2015:184) capital structure is a description of the company's financial proportions related to sharing capital and long-term debt. The purpose of the capital structure is to make a comparison between debt and capital that is profitable from a financial point of view. The theory of capital structure according to Fahmi (2015:193) is related to balancing theories which is one of the company's decisions to seek additional long-term funds. A company's capital structure that prefers debt is usually considered one way to reduce agency conflicts related to the company's cash flow. Managers are required to issue excess cash, as a result, it will reduce the agreed capital policy for interest payments, but the choice of capital sourced from debt will certainly increase the company's risk to be greater. The higher the debt-to-equity

ratio, the higher the company's tax burden, of course, with the limits set out in the tax law. Modigliani and Miller (1963) in Fahmi (2015:194) say that related to funding through long-term debt, it will be more beneficial if there is a bank interest expense that is consistent with the country's economic reference, so bank can't raise high bank interest rates.

Thin Capitalization

Thin Capitalization is a condition in which the company has more dominant funding from debt than capital (OECD, 2012). Debt is used by the company as an effort to increase the value of the company because the interest expense from the debt can be used as a deduction from taxable income (Modigliani & Miller, 1963, in Kurniawan, 2018). The income tax law regulates that interest paid on company loans can be used as a tax deduction (deductible expense). This regulation is then used by several companies by making loans that exceed the reasonable limit, so that interest expenses can be recognized fiscally, as a result, fiscally profits will be reduced or even not pay taxes at all. The imposition of interest in Indonesia is fiscally regulated in the Minister of Finance Regulation 169/PMK.010/2015 which is limited to a ratio of 4:1 by comparing the company's capital and debt, so this step is an effort from the government to prevent the practice of tax avoidance (thin capitalization) to reduce tax evasion loopholes in the applicable tax regulations related to charging interest.

Research Hypothesis

The Influence of the Independence of the Board of Directors on Tax Avoidance

Independence is an attitude that is needed to provide certainty that the monitoring and strategic planning activities have been running effectively in a company. An independent director is a person who is in the ranks of top management who plays a role in leading operational activities within the company and has no special relationship (special) in controlling the company. The existence of an independent director can be an opportunity to minimize agency problems between the board of directors and shareholders, namely by reducing tax avoidance, considering that independent directors do not have special relationships with other parties. Based on the Sarbanes-Oxley guidelines in corporate governance, it is recommended and instructed to the board of each company to give more shares to independent directors (Terjesen, Sealy and Singh, 2015). Research conducted by Lanis and Richardson and Lanis (2011) proves that the number of independent directors has a negative effect on tax avoidance. The weaker function of supervision and monitoring of independent directors has created a moral hazard created by each director for the sake of individual interests which leads to agency conflicts between directors and company owners. The director as the person who manages the company's operational activities has more information related to the actual condition of the company so that there is an information gap between the director and the owner of the company which causes the director's desire to carry out earnings management which leads to the use of tax avoidance. Research conducted by Ridwan, Zaitul, and Yulistia (2015) also provides the same statement that independent directors have a negative influence on tax avoidance. Based on previous research that is still contradictory, the hypothesis of this study is:

H1: The independence of the board of directors has a negative effect on tax avoidance

Influence of Female Directors on Tax Avoidance

Female directors have an important role in minimizing tax evasion. This is due to the nature of women who are more careful and thorough compared to men (Astuti, 2017). Women also tend to have a risk-averse nature so that even in decision-making women do not dare to make decisions that have risks (Adhariani, 2015). The existence of women who tend to be careful, and tend to stay away from risk can minimize tax avoidance. The presence of female directors in the composition of the company's board of directors indicates that the company provides equal opportunities for every individual without any discriminatory attitude with the nature of the woman will disclose tax information as it is to shareholders, to reduce information asymmetry. This is because tax avoidance has a high risk in terms of liability to the company. Research conducted by Ambasari, Pratomo et al. (2019) also provides evidence that women have a much higher value of tax compliance, compared to men. Research conducted by Ambasari et al. (2019) and

Lanis et al. (2015) provides evidence that the presence of female directors has a negative effect on tax avoidance. Research conducted by Hoseini et al. (2019) and Richardson et al. (2013) also gives the same statement that there is a negative relationship between female directors and tax avoidance. Based on previous research that is still contradictory, the hypothesis of this study is:

H2: The proportion of female directors has a negative effect on tax avoidance

Effect of Thin Capitalization on Tax Avoidance

Thin capitalization is a mechanism that refers to the funding of a company related to investment decisions, where debt financing is prioritized over the use of share capital in the capital structure of a company. The higher the value of debt, it will be in line with the interest rate that must be paid by the company, which results in lower taxable profit, so based on agency theory this can lead to problems between managers and shareholders. This is related to the company's obligation to pay lower taxes, which is something that managers want, but on the shareholder side, it will increase the risk of the company paying debts to be higher or even default. The company avoids tax due to differences in interests between management and shareholders. One way that managers do is through increasing the debt to equity ratio. The large ratio between debt and equity reduces the company's gap in tax avoidance. Research conducted by Ismi and Linda (2016) provides evidence that thin capitalization has a negative effect on tax avoidance. This is in accordance with research conducted by Zaina (2017) and Salwah and Herianti (2019) which provide evidence that thin capitalization has a negative effect on tax avoidance. Based on previous research that is still contradictory, then the hypothesis of this research is:

H3: Thin Capitalization has a negative effect on tax avoidance

RESEARCH METHODOLOGY

Research Framework

The research framework related to the hypothesis is described as follows:

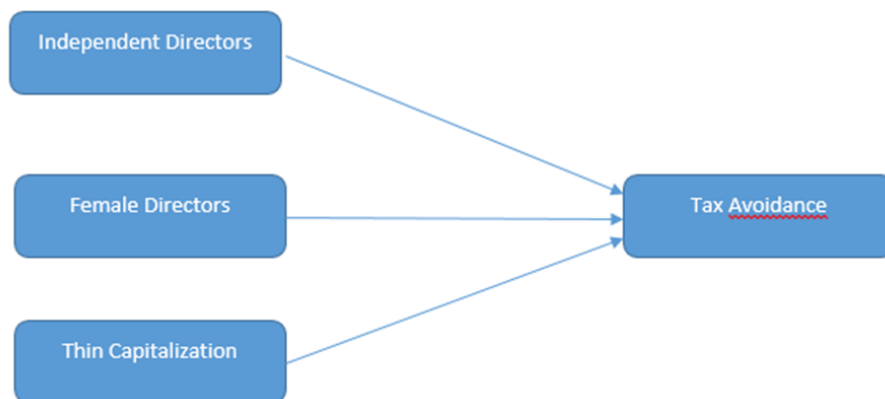


Figure 1
Research Framework

The research regression model is as follows:

$$PP = \alpha + \beta_1 DI + \beta_2 DW + \beta_3 TC + \varepsilon$$

Where:

PP = tax avoidance

DI = number of independent directors

DW = number of female directors

TC = thin capitalization

Research Design

Regarding the effect of director independence, female directors, and thin capitalization on tax avoidance, the research design is quantitative research. The results of the test and analysis of the influence of the independent variables on the dependent

variables in the study by using the hypothesis testing proposed in accordance with the formulation of the problem specified in the study. The independent variables in this study are independent directors, female directors, and thin capitalization. While the dependent variable in this study is tax avoidance.

Table 1
Variable Identification, Operational Definition, and Variable Measurement

Variable	Operational	Measurement	Reference
Dependent	Tax Avoidance	Tax calculations are measured using the book-tax gap, namely the higher the result, the greater the tax avoidance and vice versa	Salwah and Herianti (2019)
		$\text{Book Tax Gap} = \frac{\text{Accounting Earnings} - \text{Tax Earnings}}{\text{Assets Total}}$ $\text{Tax Earnings} = \frac{\text{Tax Expense} - \text{Liabilities} - \text{Assets}}{\text{Income Tax Rate}}$	
Independent	Independent Directors	Independent director is measured by comparing the proportion the number of independent directors to the number of directors in the company	Khalil (2016), Rashid (2018)
	Female Directors	Female directors can be measured using the proportion of the number of female directors to the number of directors in a company	Ishak (2017), Hamdani and Hatane (2017)
	Thin Capitalization	Used by the company as an effort to increase the value of the company, because the interest expense from the debt can reduce taxable income. The greater the calculation value means the higher the interest-bearing debt funding ratio, which triggers tax avoidance	
		$\text{Maximum amount debt} = \frac{\text{average debt}}{\text{SHDA of the firm}}$	

Source: processed by the writer (2021)

Population and Sample

The population of this study is a manufacturing company that is listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. Sampling in this study used a purposive sampling method with the following criteria:

Table 2
Sample Criteria

No	Criteria	Jumlah
1	Manufacturing companies listed on the IDX in a row for the 2017-2019 period	444
2	Companies whose financial statements do not present in the rupiah currency	(23)
3	Companies that do not provide complete information related to research variables	(221)
	Number of observation samples before outlier	200
	Outlier Data	(61)
	Number of observations after outlier	139

Source: data obtained from www.idx.co.id

FINDINGS AND DISCUSSION

Descriptive Statistics

Descriptive statistics display the amount of data, the average, minimum, maximum, and standard deviation of the research variables. Descriptive statistical research examines data on independent directors (DI), female directors (DW), thin capitalization (TC), and tax avoidance (PP). Based on research conducted in the 2017-2019 observation period, the results of the data recapitulation are as follows:

Table 3
Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DI	139	0,0000	0,5000	0,2461	0,1069
DW	139	0,0000	0,5000	0,0938	0,1344
TC	139	-3,9500	5,3900	0,7419	0,8910
PP	139	0,0000	0,2100	0,0858	0,0572

Source: data processed by the writer (2021)

Table 3 shows that independent directors and female directors have a minimum value of 0.0000. This shows that there are companies that do not have independent directors and female directors. The maximum value of independent directors and women shows the same proportion, which is 0.5000 out of 139 samples of manufacturing companies in the research sample. The average value of independent directors is 24% with a standard deviation of 0.1069. This shows that every company has at least 24.61% of independent directors from the board of directors and the company has a low level of data diversity when compared to the average ownership of independent directors in the board of directors. In contrast to the average female director, it shows 9.38% of the board of directors in a company and the company has a high level of data diversity in female directors when compared to the average value.

Table 3 also shows the minimum value of thin capitalization with a value range of -3.9500 to 5.3900. The average value of thin capitalization is 0.7419 with a standard deviation of 0.8910. This shows that most manufacturing companies listed on the IDX for the 2017-2019 period have an average thin capitalization of 74.19%, while tax avoidance as an independent variable in the study has a minimum value of 0.0000 by PT Asahimas Flat Glass in 2017 and the maximum value of 0.2100 achieved by PT Darya Varia Laboratoria in 2018. The average value of tax avoidance in the company is 0.0858 with a standard deviation of 0.0572, which means that the data variation is smaller in other words the data variation is homogeneous.

Result

The results of data testing are obtained from multiple linear regression analysis techniques with several stages. The first stage is the normality test using the SPSS application via Kolmogorov-Smirnov. The results of the normality test show a significance level of 0.058, which means that the results of the study meet the requirements of the normality test. The next stage is the heteroscedasticity test using the glejser test where the results show a significance level of 0.099 which means that there is no heteroscedasticity, so the study is considered to have passed the heteroscedasticity test and is heading to the next stage, namely the multicollinearity test. The multicollinearity test results show the VIF value for each variable 10 with a value range of 1.0050 – 1.0740 and the TV value for each variable 0.1 with a value range of 0.9320-0.9950. This shows that the hypothesis passes the multicollinearity test with variables between independent variables not being correlated.

The final stage is the model feasibility test and hypothesis testing. The feasibility test of the model includes the coefficient of determination (R²), where the coefficient of determination is 13% and the F statistic test which shows a significance value of 0.000 which means that the independent director variable, female director, and thin capitalization are worthy of research. In contrast to the hypothesis test which is carried out to know how much influence an independent variable has on the dependent variable. A significance value of 0.05 indicates that the independent variable has an effect on the dependent variable, but if the significance value 0.05 indicates that the independent variable has no effect on the dependent variable (Ghozali, 2016: 93). This can be seen through the following table.

Table 4
Hypothesis Testing

Independent Variable	B	Asym. Sig	Test Results	Conclusions
DI	-0,1010	0,0210	Negative effect	H1 Accepted
DW	0,1390	0,0000	Positive effect	H2 Rejected
TC	0,0050	0,3680	No effect	H3 Rejected

Source: data processed by the writer (2021)

Influence of independent directors on tax avoidance

Based on the results of testing the research hypothesis, it is concluded that independent directors have a negative influence on tax avoidance. This shows that having an independent director in a company can minimize tax avoidance in a company. Based on the Sarbanes-Oxley guidelines in corporate governance, it is recommended and instructed to the board of each company to give more shares to independent directors (Terjesen et al., 2015). Research conducted by Richardson and Lanis (2011) proves that the number of independent directors has a negative effect on tax avoidance. The weaker function of supervision and monitoring of independent directors creates a moral hazard created by each director for individual interests which leads to agency conflicts between directors and company owners. Therefore, Hypothesis 1 in this study is accepted because it is in line with the initial hypothesis which provides evidence that independent directors have a negative effect on tax avoidance. Research conducted by Ridwan et al. (2015) also provides the same statement that independent directors have a negative influence on tax avoidance. An independent director as a person in top management has a role in leading the operational activities of a company and does not have a special (special) relationship in controlling the company, commissioners or other directors with the aim of effective monitoring and strategic planning activities so that with the existence of an independent director can be an opportunity to minimize agency problems between the board of directors and shareholders, one of which is by reducing tax avoidance, considering that independent directors do not have special relationships with other parties.

The effect of the proportion of female directors on tax avoidance

Based on the results of testing the research hypothesis, it can be concluded that female directors have a positive influence on tax avoidance. This shows that the presence of female directors in a company encourages a company to avoid tax. Therefore,

Hypothesis 2 in this study is rejected because it is contrary to the initial hypothesis which states that female directors have a negative effect on tax avoidance. The results of this study are directly proportional to the research conducted by Boussaidi and Hamed (2015) which shows that female directors have a positive influence on tax avoidance. This is because women have the skills to minimize risk better than men related to operations or other policies, which affect the number of tax payments paid by the company, so they are considered to be able to save the company's cash flow for future needs. Women directors in a company become diverse in a composition of directors, so the higher the level of diversity, the more likely it is to have a good performance to reduce the burden, one of which is by taking advantage of tax avoidance with a good level of risk (Boussaidi and Hamed, 2015).

Effect of thin capitalization on tax avoidance

Based on the results of testing the research hypothesis, it can be concluded that thin capitalization has no effect on tax avoidance. This shows that the presence or absence of thin capitalization in a company cannot explain the practice of tax avoidance in a company. Therefore, Hypothesis 3 in the study was rejected, because it was contrary to the initial hypothesis which stated that thin capitalization had a negative effect on tax avoidance. The results of this study are directly proportional to the research conducted by Olivia and Dwimulyani (2019) which provides evidence that thin capitalization has no effect on tax avoidance because there are few gaps in managing debt ownership optimization related to tax management and the research sample coverage is still small so it does not show much effect on tax avoidance.

Restrictions on debt (thin capitalization) regulated in the Minister of Finance Regulation No. 169 of 2015 concerning the determination of the size of the ratio between debt and capital does not affect the practice of tax avoidance in the research made. Although the research is made using companies that have current profits some debts generate interest costs, this still does not show an effect on tax avoidance activities. This is shown in the calculation of the ratio of debt and equity in a company exceeds the 4:1 limit, then the remaining excess interest costs cannot be used as an expense in the calculation of fiscal profit and loss. So, even though the company uses thin capitalization, it will not have a significant impact on the company's tax payments, because it must be balanced with a proportional amount of company capital.

CONCLUSION AND SUGGESTIONS

The conclusions that can be drawn from this research are in 3 points. First, independent directors have a negative effect on tax avoidance when measured using proportions, because independent directors as people who are in the highest management level have a role in leading the company's operational activities and do not have a special relationship (special) in terms of controlling the company, commissioners or other directors with the aim of effective monitoring and strategic planning activities, so that having an independent director can be an opportunity to minimize agency problems between the board of directors and shareholders, one of which is by reducing tax avoidance, considering that independent directors do not have special relationships with other parties. Second, female directors have a positive influence on tax avoidance, because women have better skills than men regarding operations and other policies that affect the number of tax payments borne by the company so that it can increase tax avoidance in a company. Third, thin capitalization does not have an effect on tax avoidance because there are few gaps in managing debt ownership optimization related to tax management and the research sample coverage is still small so it does not show much influence on tax avoidance. Restrictions on debt (thin capitalization) regulated in Minister of Finance Regulation No. 169 of 2015 regarding the limit on the size of the comparison between debt and capital does not affect the practice of tax avoidance.

The limitations of this study do not consider companies that have information regarding independent directors considering that it is written in the Decree of the Directors of the Indonesia Stock Exchange Number Kep-00001/BEI/02-2014 the minimum number of independent directors is one person and the study only uses samples in the manufacturing industry in general, it is not detailed in the food, textile, steel, and other sectors, so it is hoped that the next research is expected to be able to

explore more complete information regarding independent directors and use, the same research as research that uses a longer observation period and can use the manufacturing sector in more detail to obtain different samples and different possible outcomes, for example, the food manufacturing sector, textiles, steel and so on which includes manufacturing. This is considered necessary because it is a company that has an influence on the economy of a country in terms of taxation.

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